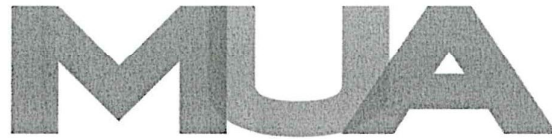


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 323: INTRODUCTION TO INTERNATIONAL BUSINESS

DATE: 19TH AUGUST 2015

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Advices of WTO, World Bank, and IMF on Trade Liberalization.

World Trade Organization, World Bank and IMF have been advocating for free trade throughout the world, and all their advices are geared towards liberalizing trade. This will lead to realization of long-term benefits for all countries of the world and better management of national resources. One of the main objectives or duty of WTO is to provide a forum for negotiations between nations to reduce tariffs and liberalize trade. Such initiatives by WTO will lead to the improvement of trading relationships and benefits to all countries of the world, and thus improve the standard of living of people.

WTO facilitates discussion forums through Rounds of Talks. The last round of talks was held at Doha, the capital city of Bahrain. The Doha Round of negotiations was supposed to be completed in 2006, but was not concluded due to disagreements on the farm subsidies by the western countries to their farmers. All countries participating in the Doha round of talks agreed that there was every need to conclude it by then.

World Bank and International Monetary Fund continue to advice countries on formulation of better policies aimed at utilizing available resources. Originally countries used to go to World Bank to borrow money and to IMF for policy advice on economic development. In latter years World Bank and IMF begun advising countries to look into local resources first before going out to borrow. These advices were called structural adjustment programs. It entailed advising countries to privatize state corporations to raise money for running the government and for investment.

Of much controversy was the advice given to Latin American countries by World Bank and I.M.F that has been called "Washington Consensus". This referred to the

consensus by the two Washington-based institutions to give a joint advice on the structural adjustment “dose” given to Latin American countries in 1990s.

The advices given under “Washington Consensus” included advices such as fiscal discipline, reduction of public expenditure, tax reforms, interest rates liberalization, competitive exchange rates, trade liberalization, liberalization of FDI inflows, privatization, deregulation of all barriers of exports and imports, and secure property rights. It also included corporate governance, anticorruption, flexible labor markets, WTO agreements, financial codes and standards, independent central banks, social safety nets, and targeted poverty reduction.

World Bank and IMF continue to advice member countries on the reforms necessary in their economies. These advices cannot be termed Washington Consensus anymore because of negative connotation attached to the first Washington Consensus.

Required

- a) How does WTO promote international trade liberalization? **6 Marks**
- b) How do World Bank and IMF influence economic development and trading relationships between countries? **(7 Marks)**
- c) What do you understand by “Washington consensus”. **(6 Marks)**
- d) What are measures being suggested under “Washington Consensus” for countries to implement in order to better utilize national resources? **(6 Marks)**

QUESTION TWO

Major economic indicators are a good measure of credit worthiness of a country as an investment destination.

- a) Elaborate on how Gross Domestic Product (GDP), Balance of Payments (BP) and Inflation Rates in a country influence investment decisions in international firms. **(8 Marks)**

- b) Explain how governments create enabling business environment through fiscal and monetary policies. (7 Marks)

QUESTION THREE

Due to globalization, many people can move easily from one country to another. This has had positive and negative consequences for international business as well as for home countries and to the recipient country.

- a) Give four reasons why there is labor migration (7 Marks)
- b) What are the advantages accruing to the recipient country of mobile labor? (8 Marks)

QUESTION FOUR

Terrorism is the use of force to express political dissatisfaction or for other political causes.

- a) Explain the major root causes of terrorism and what forms it takes (7 Marks)
- b) What are the possible ways of resolving terrorism and how does it affect international business? (8 Marks)

QUESTION FIVE

Globalization has brought about interconnectedness of world economies and introduction of electronic commerce.

- a) Explain what you understand by e-commerce and give its major characteristics. (8 Marks)
- b) Show how it has affected the conduct of international business? (7Marks.)

QUESTION SIX

Most of the developing countries, especially from Africa, are looking to the Eastern countries of China and Japan for trade and industrial investments.

- a) Explain the reasons behind this interest and move. (7 Marks)

- b) How have the western countries of EU and the USA reacted to this apparent move to befriend the eastern countries? (8 Marks)